

ORIGINAL



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MEMORANDUM

26

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division

Date: November 7, 2005

RE: STAFF REPORT FOR PALO VERDE UTILITIES COMPANY, L.L.C. AND
SANTA CRUZ WATER COMPANY, L.L.C. - APPLICATION FOR
EXTENSION OF CERTIFICATES OF CONVENIENCE AND NECESSITY
FOR WASTEWATER AND WATER SERVICES (DOCKET NOS. SW-
03575A-05-0470 AND W-03576A-05-0470)

Attached is the Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. application for extension of their existing Certificates of Convenience and Necessity for wastewater and water services. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

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Service List for: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C.
Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

PALO VERDE UTILITIES COMPANY, L.L.C.
AND
SANTA CRUZ WATER COMPANY, L.L.C.

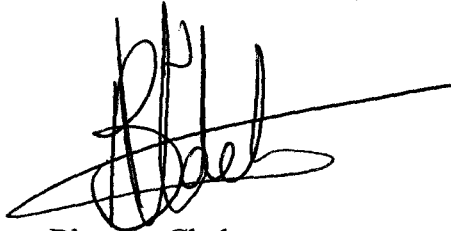
DOCKET NOS. SW-03575A-05-0470
AND
W-03576A-05-0470

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATES OF
CONVENIENCE AND NECESSITY

NOVEMBER 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. (Docket Nos. SW-03575A-05-0470 and W-03576A-05-0470) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Companies' application. Dorothy Hains was responsible for the engineering and technical analysis.

A stylized, handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu
Executive Consultant III

A handwritten signature in black ink, appearing to read 'Dorothy Hains', written in a cursive style.

Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
PALO VERDE UTILITIES COMPANY, L.L.C. AND
SANTA CRUZ WATER COMPANY, L.L.C.
DOCKET NOS. SW-03575A-05-0470 and W-03576A-05-0470

On June 30, 2005, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of their respective Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Pinal County, Arizona. On October 4, 2005, the Utilities filed an amendment to the application to include a revised legal description. On September 7, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code.

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good standing, and engaged in providing wastewater utility service to over 8,000 customers and water utility service to over 8,100 customers, respectively, in portions of Pinal County, Arizona.

By this application, The Utilities are seeking Commission authority to extend their service territory to include approximately seven and half (7.5) square miles. The requested extension area, previously known as the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District, includes approximately 5,000 acres and is located adjacent to The Utilities' existing CC&N area. The proposed extension area is to be developed into several master planned communities comprised of over 16,300 lots.

Based on the present facilities and the proposed interconnections of the water and wastewater systems, Staff believes both Palo Verde and Santa Cruz will have adequate production and treatment capacities to serve the existing customer base in the expanded service area. The Utilities are in compliance with the Commission and the Arizona Department of Water Resources. Santa Cruz is in compliance with the Arizona Department of Environmental Quality, whereas, a recent status report from the Arizona Department of Environmental Quality indicated that Palo Verde had "numerous exceedence violations."

Staff recommends the Commission approve the application jointly filed by Palo Verde and Santa Cruz for an extension of their respective CC&N within portions of Pinal County, Arizona, as amended, to provide wastewater and water services, subject to compliance with the following conditions:

1. To require Santa Cruz to charge its authorized rates and charges in the extension area.
2. To require Santa Cruz to file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

3. To require Santa Cruz to file with Docket Control as a compliance item in this docket a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the proposed water line interconnection by December 31, 2006.
4. To require Santa Cruz to file with Docket Control as a compliance item in this docket a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.
5. To require Santa Cruz to file with Docket Control as a compliance item in this docket a copy of its ADEQ Certificate of Approval to Construct ("ATC") for its arsenic remediation plan by December 31, 2005.
6. To require Santa Cruz to file with Docket Control as a compliance item in this docket a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the decision in this matter.
7. To require that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.
8. To require Palo Verde to charge its authorized rates and charges in the extension area.
9. To require Palo Verde to file with Docket Control as a compliance item in this docket a copy of the ADEQ Approval of Construction for the sewer line interconnection by December 31, 2006.
10. To require Palo Verde to file with Docket Control as a compliance item in this docket a copy of the amended Section 208 Plan for the extension area by December 31, 2006.
11. To require Palo Verde to file with Docket Control as a compliance item in this docket a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extensions to Palo Verde and Santa Cruz be considered null and void should Palo Verde and Santa Cruz fail to meet Condition Nos. 2, 3, 4, 5, 6, 9, 10, and 11 listed above within the time specified.

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Introduction

On June 30, 2005, Palo Verde Utilities Company, L.L.C. ("Palo Verde" or "Wastewater Company") and Santa Cruz Water Company, L.L.C. ("Santa Cruz" or "Water Company") collectively referred to as ("The Utilities") jointly filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of their respective Certificates of Convenience and Necessity ("CC&N") to provide wastewater and water services in portions of Pinal County, Arizona. On October 4, 2005, the Utilities filed an amendment to the application to include a revised legal description.

On July 29, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Utilities' application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C) and R14-2-602(B). A copy of the Insufficiency Letter was sent to the Utilities via U.S mail. In the letter, Staff listed the deficiencies to be cured for administrative purposes.

On August 8, 2005, The Utilities provided additional documentation to support their relief requested.

On September 7, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

Background

Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs"), in good standing, and engaged in providing wastewater utility service to over 8,000 customers and water utility service to over 8,100 customers¹, respectively, in portions of Pinal County, Arizona. The original CC&Ns for The Utilities were granted by the Commission in Decision No. 61943 (September 17, 1999) as Arizona Corporations. On October 6, 2003, the Commission issued Decision No. 66394 which approved the transfer of the CC&Ns from the Corporations to the LLCs. The Utilities were granted extensions to their CC&Ns in Decision Nos. 66394 (October 6, 2003), 67240 (September 23, 2004), and 67830 (May 5, 2005).

The Utilities are wholly-owned subsidiaries of Global Water Resources, LLC ("GWR"). GWR is a utility holding company, formed as an LLC, and is engaged in the business of acquiring utility companies. To date, GWR owns three certificated utility companies in the State of Arizona including Palo Verde, Santa Cruz, and Cave Creek Water Company ("Cave Creek")²

¹ The number of customers includes the 387 Improvement District customers. 387 Improvement District is the subject of the instant application.

² Global Water Resources, Inc. ("GWRINC") a wholly-owned subsidiary of GWR, formed to acquire the stock of utility companies that are structured as corporations, purchased Cave Creek on March 3, 2005. Currently, Cave Creek provides water utility service to approximately 2,401 customers in Arizona.

and acts as the Interim Manager for Sabrosa Water Company ("Sabrosa")³. Altogether, GWR's subsidiaries provide utility service to approximately 18,600 customers in Arizona.

A check of the compliance database by the Utilities Division Compliance Section indicated that there are no delinquencies for the Utilities.

The Extension Request

Palo Verde and Santa Cruz are currently certificated by the Commission to provide wastewater and water services to approximately a 17 square mile area within the corporate city limits of the City of Maricopa, in northwest Pinal County, Arizona. By this application, The Utilities are seeking Commission authority to extend their service territory to include approximately seven and half (7.5) square miles. The requested extension area, previously known as the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District (collectively the "387 Improvement District"), includes approximately 5,000 acres and is located adjacent to The Utilities' existing CC&N area.

According to the Application, the 387 Improvement District was formed in 2003 by the Pinal County to provide water and wastewater services to an area which The Utilities were not then able to serve. Sonoran Utility Services ("Sonoran") contractually operated the 387 Improvement District since its inception. On April 14, 2005, GWR took over the operating obligations of the 387 Improvement District from Sonoran and on June 15, 2005, The Utilities acquired the assets of the 387 Improvement District.

The instant Application is intended to complete the transition from the 387 Improvement District-owned and operated utilities to Palo Verde and Santa Cruz utilities under the Commission jurisdiction. GWR has obtained a written binding commitment from each of the property owners to remove his/her land(s) from the 387 Improvement District and to be subject to The Utilities' CC&Ns.

The proposed extension area is to be developed into several master planned communities comprised of over 16,300 lots.

Finance of Utility Facilities

The Utilities indicated in the application that they will finance the required utility facilities through a combination of shareholder equity and advances in aid of construction. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C.

³Pursuant to ACC Decision Nos. 62572 and 63136, the Utilities Division vested with the authority to appoint GWR as interim manager of Sabrosa located in New River, Arizona, entered into an Interim Management Agreement with GWR on January 28, 2005. GWR took over the management of Sabrosa on January 31, 2005. Sabrosa provides water utility service to approximately 58 customers.

R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

Staff recommends that Santa Cruz file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

The Water System

Santa Cruz operates a water system that consists of two drinking water wells (having a combined production rate of 3,100 gallons per minute ("GPM")), two storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station, two pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of approximately 8,100 customers. The Company currently experiences an average monthly growth rate of over 250 new connections. Santa Cruz is in the process of completing installation of the Neely West well, this will add an additional source of 2,000 gallons per minute to the system.

The 387 Improvement District Water System includes two wells that can produce a total flow of 1,000 GPM, two storage tanks (having a combined capacity of 1,000,000 gallons), and booster pump station with pressure tanks. The 387 Improvement District Water System has an existing customer base of approximately 1,000 customers and experiences an average monthly growth rate of over 150 connections.

According to Santa Cruz, the two 387 Improvement District wells are shallow wells and the water quality exceeds the Maximum Contaminant Level for nitrates. Santa Cruz plans to utilize these wells for irrigation purposes only. Santa Cruz also plans to interconnect its existing mains to the 387 Improvement District's Water System. Santa Cruz estimates an average monthly growth rate of 400 new connections in the combined service area. Staff concludes that the combined system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area.

Staff recommends that Santa Cruz file with Docket Control as a compliance item in this docket a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the proposed water line interconnection by December 31, 2006.

Arizona Department of Environmental Quality Compliance

Staff received compliance status reports⁴ for Santa Cruz and the 387 Improvement District from ADEQ, in which ADEQ stated that it has determined that both Santa Cruz and the 387 Improvement District are currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

There are five (5) Active Management Areas ("AMAs") in Arizona and each has a different goal depending on the water supply need of the area. Santa Cruz is located in the Pinal AMA, as designated by ADWR. The goal of the Pinal AMA is to allow the development of non-irrigation water uses, extend the life of the agricultural economy for as long as feasible, and preserve water supplies for future non-agricultural uses. As a result, Santa Cruz is subject to the reporting and conservation rules of ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

Staff recommends that Santa Cruz be required to file with Docket Control as a compliance item in this docket a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.

ACC Compliance

According to the Utilities Division Compliance Section, Santa Cruz has no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis provided by Santa Cruz indicates that the arsenic levels in both Wells are 10.1 µg/l and 17.71 µg/l which are above the new arsenic MCL. Santa Cruz indicated that blending will be used to reduce this arsenic concentration to meet the new standard. Santa Cruz's proposed treatment plan has been submitted to ADEQ for its review and approval.

Staff recommends that Santa Cruz file with Docket Control as a compliance item in this docket a copy of its ADEQ Certificate of Approval to Construct ("ATC") for its arsenic remediation plan by December 31, 2005.

⁴ Staff received the compliance status reports from ADEQ on September 8, 2005, for Santa Cruz and on August 15, 2005, for the 387 Improvement District.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved by Decision No. 66394. The tariff was subsequently amended by Decision No. 67830.

The Wastewater System

Palo Verde owns and operates an enclosed one million gallons per day ("MGD") sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and surface water disposal system to serve its existing CC&N area. Palo Verde is in the process of expanding the plant's treatment capacity to 3 MGD.

The 387 Improvement District has installed a 0.99 MGD treatment plant (Maricopa #1 Wastewater Treatment Plant)⁵; however, this treatment plant has never been in service. Currently all wastewater from the 387 Improvement District area is being pumped and hauled to the Palo Verde treatment plant for treatment and disposal.⁶

Palo Verde plans to extend its existing wastewater collection system to interconnect with the 387 Improvement District's wastewater collection system at Smith Road and Bowlin Road. All wastewater from the 387 Improvement District will be pumped and treated at the existing Palo Verde wastewater treatment plant. Staff concludes that the Palo Verde wastewater system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Palo Verde will develop additional capacity as needed to meet future growth in the expanded service area.

Staff recommends that Palo Verde file with Docket Control as a compliance item in this docket a copy of the ADEQ Approval of Construction for the sewer line interconnection by December 31, 2006.

Clean Water Act Section 208 Plan

Pursuant to Section 208 of the Federal Water Pollution Control Act, the Central Arizona Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N extension area. The CAAG has the authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, principles, and standards for local growth and development.

⁵ According to the Company, this treatment plant will be modified and used to treat Central Arizona Project water in the future.

⁶ Per the Company's response to Staff's Data Request dated August 8, 2005.

Palo Verde and the 387 Improvement District each have valid approved amendments to delineate their respective Section 208 Water Quality Management Plan service areas. In August 2005, Palo Verde filed with CAAG an application to amend its Section 208 Plan to include the requested area. The Section 208 Plan Amendment is expected to be approved by CAAG in December 2005.

Staff recommends that Palo Verde file with Docket Control as a compliance item in this docket a copy of the amended Section 208 Plan for the extension area by December 31, 2006.

ADEQ Compliance

Staff received a compliance status report from ADEQ dated September 22, 2005 in which ADEQ stated that Palo Verde is in substantial compliance. According to the Report, Palo Verde had "numerous exceedence violations".

Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.

ACC Compliance

According to the Utilities Division Compliance Section, Palo Verde has no outstanding ACC compliance issues.

Proposed Rates

Palo Verde and Santa Cruz have proposed to provide utility services to the extension area under their respective authorized rates and charges.

Municipal Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

According to the application, the extension area is "wholly" within the jurisdictional boundary of the City of Maricopa. Staff does acknowledge that the City of Maricopa was recently incorporated, on October 15, 2003, and is in the process of developing its franchise process. As such, Staff recommends that Palo Verde and Santa Cruz be required to file with Docket Control, as a compliance item in this docket a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the decision in this matter.

Recommendations

Water Service CC&N Extension

Staff recommends the Commission approve the Santa Cruz application for an extension of its CC&N within portions of Pinal County, Arizona, as amended, to provide water service, subject to compliance with the following conditions:

1. To require Santa Cruz to charge its authorized rates and charges in the extension area.
2. To require Santa Cruz to file with Docket Control, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Santa Cruz to file with Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the proposed water line interconnection by December 31, 2006.
4. To require Santa Cruz to file with Docket Control, as a compliance item in this docket, a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.
5. To require Santa Cruz to file with Docket Control, as a compliance item in this docket, a copy of its ADEQ Certificate of Approval to Construct ("ATC") for its arsenic remediation plan by December 31, 2005.
6. To require Santa Cruz to file with Docket Control, as a compliance item in this docket, a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Santa Cruz be considered null and void should Santa Cruz fail to meet Conditions Nos. 2, 3, 4, 5, and 6 listed above within the time specified.

Wastewater Service CC&N Extension

Staff recommends the Commission approve the Palo Verde application for an extension of its CC&N within portions of Pinal County, Arizona, as amended, to provide wastewater service, subject to compliance with the following conditions:

1. To require that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.

2. To require Palo Verde to charge its authorized rates and charges in the extension area.
3. To require Palo Verde to file with Docket Control, as a compliance item in this docket, a copy of the ADEQ Approval of Construction for the sewer line interconnection by December 31, 2006.
4. To require Palo Verde to file with Docket Control, as a compliance item in this docket, a copy of the amended Section 208 Plan for the extension area by December 31, 2006.
5. To require Palo Verde to file to file with Docket Control, as a compliance item in this docket, a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Palo Verde be considered null and void should Palo Verde fail to meet the Conditions Nos. 3, 4, and 5 listed above within the time specified.

MEMORANDUM

DATE October 13, 2005

TO: Blessing Chukwu

FROM: Dorothy Hains *DH*

RE: **Water & Wastewater CC&N Extensions for Palo Verde Utilities,
L.L.C. and Santa Cruz Water Company, L.L.C.
Docket Nos. W-03575A-05-0470 & SW-03576A-05-0470**

I. Introduction

Santa Cruz Water Co. ("Santa Cruz") and Palo Verde Utilities Co. ("Palo Verde") collectively referred to herein as "the Company", have submitted Certificate of Convenience and Necessity (CC&N) extension applications to provide water and wastewater services near the Town of Maricopa in northwest Pinal County. Santa Cruz and Palo Verde currently serve nearby areas that total approximately seventeen square miles. The requested extension area, known as the 387 Domestic Water Improvement District and the 387 Wastewater Improvement District (collectively the 387 District), includes approximately seven and half square miles and is located adjacent to the Company's existing CC&Ns.

II. Water System

A. Water System

(a) Existing Santa Cruz Water System

Santa Cruz operates a water system that consists of two drinking water wells (having a combined production rate of 3,100 gallons per minute), two storage tanks (having a combined capacity of 3,000,000 gallons), a booster pump station, two pressure tanks (having a combined capacity of 20,000 gallons) and one irrigation well. Santa Cruz has an existing customer base of approximately 6,958 customers and experiences an average monthly growth rate of over 250 connections. Santa Cruz is also in the process of completing installation of the Neely West well, this will add an additional source of 2,000 gallons per minute (GPM) to the system.

(b) Existing 387 District Water System

The 387 District Water System includes two wells that can produce a total flow of 1,000 GPM, two 500,000-gallon storage tanks and booster pump station with pressure tanks. The 387 District Water System has an existing customer base of approximately 1,000 customers and experiences an average monthly growth rate of over 150 connections.

(c) Combined Water System

Santa Cruz states that two 387 District wells are shallow wells and water quality exceeds the Maximum Contaminant Level (MCL) for nitrates. Therefore, Santa Cruz will utilize these wells for irrigation purposes only. Santa Cruz proposes to interconnect its existing mains to the 387 District water system. Santa Cruz estimates an average monthly growth rate of 400 new connections in the combined service area. Staff concludes that the combined system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area. Staff recommends that Santa Cruz file as a compliance item in this case a copy of the Arizona Department of Environmental Quality (ADEQ) Approval of Construction for the proposed water line interconnection with the Commission's Docket Control Section by December 31, 2006.

B. ADEQ Compliance Status

Staff received compliance status reports¹ for Santa Cruz and the 387 District from ADEQ, in which ADEQ stated that it has determined that both Santa Cruz and the 387 District are currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

C. Arizona Department of Water Resources ("ADWR") Compliance Status

Santa Cruz is located in the Pinal Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that Santa Cruz is in compliance with the Pinal AMA requirements.

¹ Staff received the compliance status reports from ADEQ on September 8, 2005 (related to Santa Cruz) and August 15, 2005 (related to 387 District).

D. Arizona Corporation Commission (ACC) Compliance Status

According to the Utilities Division Compliance Section, Santa Cruz has no outstanding ACC compliance issues.

E. Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis provided by Santa Cruz indicates that the arsenic levels in both Wells are 10.1 µg/l and 17.71 µg/l which are above the new arsenic MCL. Santa Cruz indicated that blending will be used to reduce this arsenic concentration to meet the new standard. Santa Cruz's proposed treatment plan has been submitted to ADEQ for its review and approval. Staff recommends that Santa Cruz file as a compliance item in this case its ADEQ Certificate of Approval to Construct (ATC) for its arsenic remediation plan to Docket Control Section by December 31, 2005.

F. Curtailment Tariff

Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.

III. Wastewater System

IV. Wastewater System

(a) Existing Palo Verde Wastewater System

Palo Verde owns and operates an enclosed one million gallon per day ("MGD") sequential batch reactor treatment plant, sand filters, ultra violet disinfection units and an effluent reuse and surface water disposal system to serve its existing CC&N area. Palo Verde is in the process of expanding the plants treatment capacity to 3 MGD.

(b) Existing 387 District Wastewater System

The 387 District has installed a 0.99 MGD treatment plant (Maricopa #1 Wastewater Treatment Plant)²; however, this treatment plant has never been in

² According to the Company, this treatment plant will be modified and used to treat Central Arizona Project water in the future.

service. Currently all wastewater from the 387 District area is being pumped and hauled to the Palo Verde treatment plant for treatment and disposal.³

(c) Future Wastewater System

Palo Verde will extend its existing wastewater collection system to interconnect with the 387 District wastewater collection system at Smith Road and Bowlin Road. All wastewater from the 387 District will be pumped and treated at the existing Palo Verde wastewater treatment plant. Staff concludes that the Palo Verde system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Palo Verde will develop additional capacity as needed to meet future growth in the expanded service area. Staff recommends that Palo Verde file as a compliance item in this case a copy of the ADEQ Approval of Construction for the sewer line interconnection with the Commission's Docket Control Section by December 31, 2006.

B. Clean Water Act Section 208 Plan

Palo Verde and the 387 District Wastewater System each have valid approved amendments to delineate their respective 208 Water Quality Management Plan service areas. Palo Verde filed its 208 amendment application to include the requested area to the Central Arizona Association of Government ("CAAG") in August 2005 and expects CAAG to approve this amendment in December 2005. Staff recommends that Palo Verde file as a compliance item in this case a copy of the amended Section 208 Plan with the Commission's Docket Control Section by December 31, 2006.

C. ADEQ Compliance

Staff received a compliance status report from ADEQ dated September 22, 2005 in which ADEQ stated that Palo Verde is in substantial compliance. According to the Report, Palo Verde had "numerous exceedence violations". Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.

D. ACC Compliance

According to the Utilities Division Compliance Section, Palo Verde has no outstanding ACC compliance issues.

³ Per the Company's response to Staff's Data Request dated August 8, 2005,

IV. Summary

I. Conclusions

1. Staff believes both Santa Cruz and Palo Verde will have adequate production and treatment capacities to serve the requested area.
2. Santa Cruz is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Santa Cruz is in compliance with the Pinal AMA requirements.
4. Santa Cruz and Palo Verde have no outstanding ACC compliance issues.
5. Santa Cruz has an approved curtailment tariff that was filed in October 2003 and approved in Decision No. 66394. This tariff was subsequently amended by Decision No. 67830.
6. Staff concludes that the combined system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Santa Cruz will develop additional capacity as needed to meet future growth in the expanded service area.
7. Staff concludes that the Palo Verde system has adequate capacity to serve the existing customer base in the expanded service area. Staff further concludes that it is reasonable to assume that Palo Verde will develop additional capacity as needed to meet future growth in the expanded service area.

II. Recommendations


1. Staff recommends that Santa Cruz file as a compliance item in this case a copy of the Arizona Department of Environmental Quality (ADEQ) Approval of Construction for the proposed water line interconnection with the Commission's Docket Control Section by December 31, 2006.
2. Staff recommends that Palo Verde file as a compliance item in this case a copy of the ADEQ Approval of Construction for the sewer line interconnection with the Commission's Docket Control Section by December 31, 2006.
3. Staff recommends that Santa Cruz file as a compliance item in this case its ADEQ Certificate of Approval to Construct (ATC) for its arsenic remediation plan to Docket Control Section by December 31, 2005.

4. Staff recommends that Palo Verde file as a compliance item in this case a copy of the amended Section 208 Plan with the Commission's Docket Control Section by December 31, 2006.
5. Staff recommends that the proposed decision not become effective until Palo Verde is in full compliance with ADEQ.
6. Staff recommends that Santa Cruz file with the Commission a copy of the amendment to its existing Designation of Assured Water Supply, stating that there is adequate water supply, within a year of the effective date of the final decision and order issued pursuant to this application.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: October 17, 2005

RE: **SANTA CRUZ WATER COMPANY (DOCKET NO. W-03576A-05-0470)**
PALO VERDE UTILITIES COMPANY (DOCKET NO. WS-03575A-05-0470)
REVISED LEGAL DESCRIPTION

The area requested by Santa Cruz and Palo Verde for an extension for water and wastewater service has been plotted using a revised legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files, including a compilation of all maps involved in this request.

:bsw

Attachments

cc: Docket Control
Ms. Cindy Liles
Ms. Deb Person (Hand Carried)
File

COUINITY Pinal

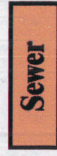
RANGE 4 East

TOWNSHIP 5 South



W-3576 (3)

Santa Cruz Water Company



SW-3575 (3)

Palo Verde Utilities Company



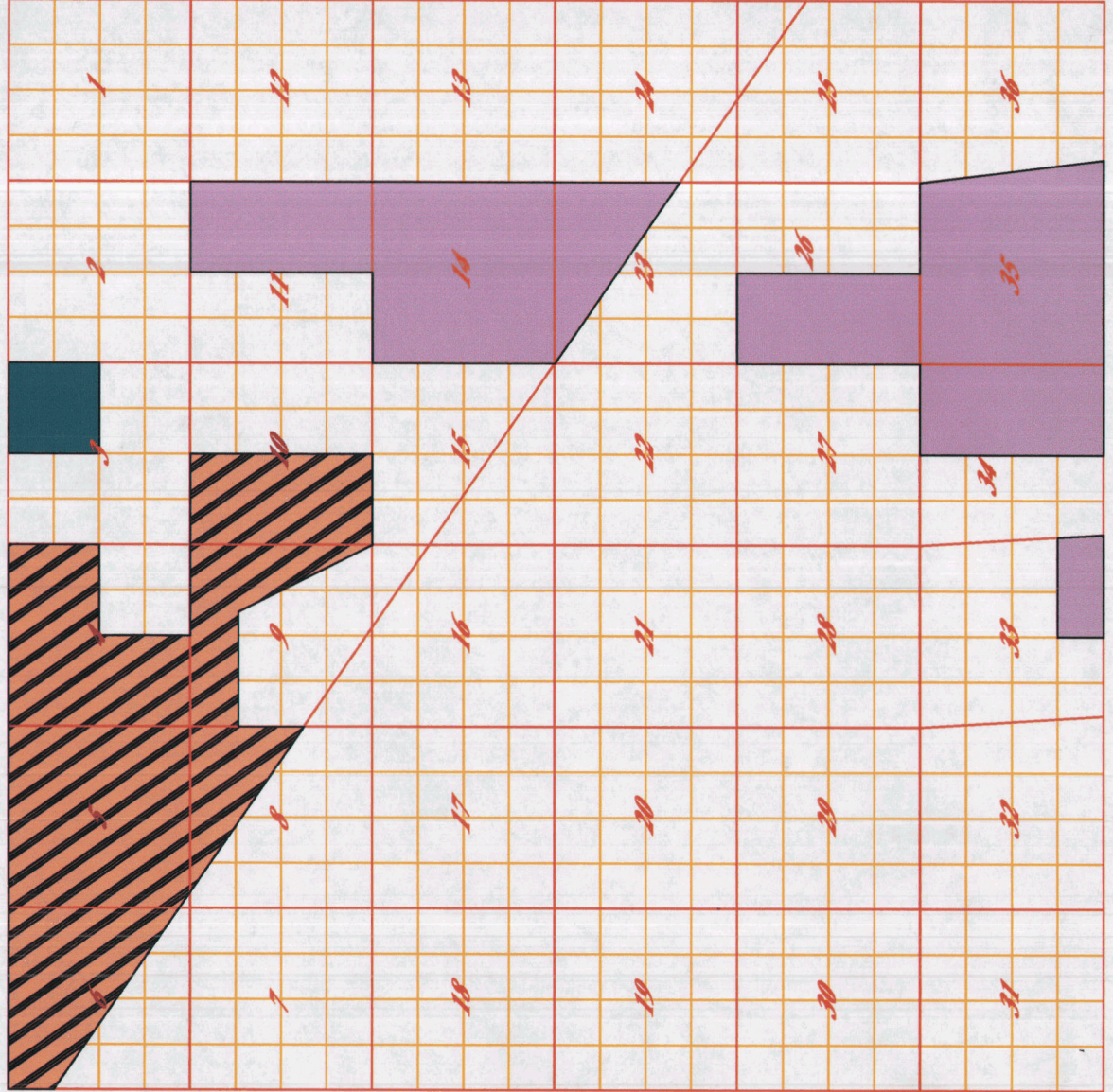
Nonjurisdictional (2)

Copper Mountain Ranch Community Facilities District



(4)

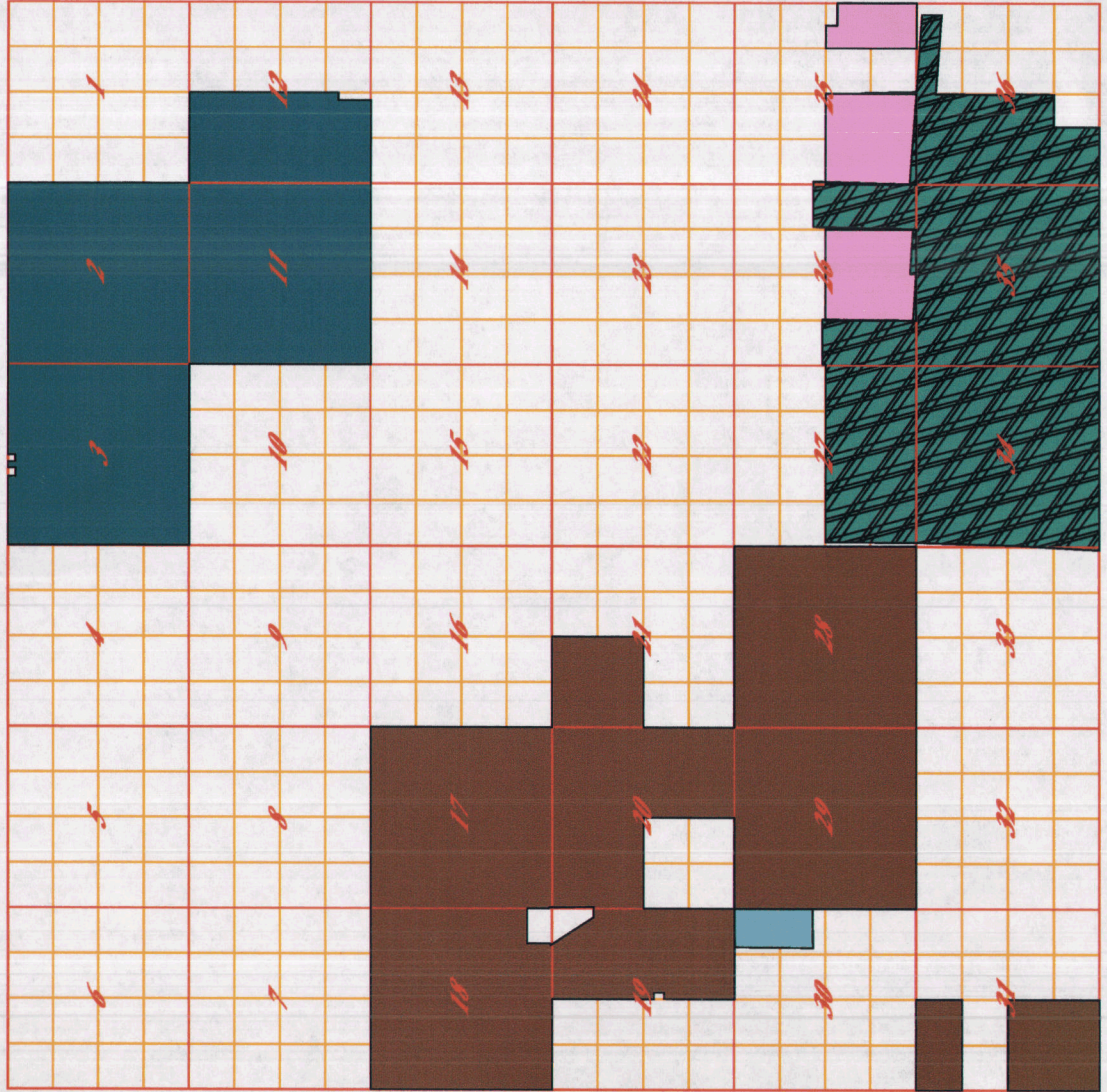
Santa Cruz Water Company
Docket No. W-03576A-05-0470
Palo Verde Utilities Company
Docket No. SW-03575A-05-0470
Application for Extension



COUNTY Pinal

RANGE 3 East

TOWNSHIP 5 South





- W-4137 (2)**
Santa Rosa Water Company
- SW-4136 (2)**
Sewer
- W-4195 (1)**
The Ranches at Maricopa Homeowners Association
Adjudicated 'Not a Public Service Corporation'
- (2)**
Santa Rosa Water Company
Docket No. W-4137-05-286
Application for Extension
- (2)**
Santa Rosa Utility Company
Docket No. SW-4136-05-287
Application for Extension
- (3)**
Santa Cruz Water Company
Docket No. W-3576-05-307
Palo Verde Utilities Company
Docket No. SW-3575-05-307
Application for Extension
- (4)**
Santa Cruz Water Company
Docket No. W-03576A-05-0470
Palo Verde Utilities Company
Docket No. SW-03575A-05-0470
Application for Extension


COUINITY Pinal

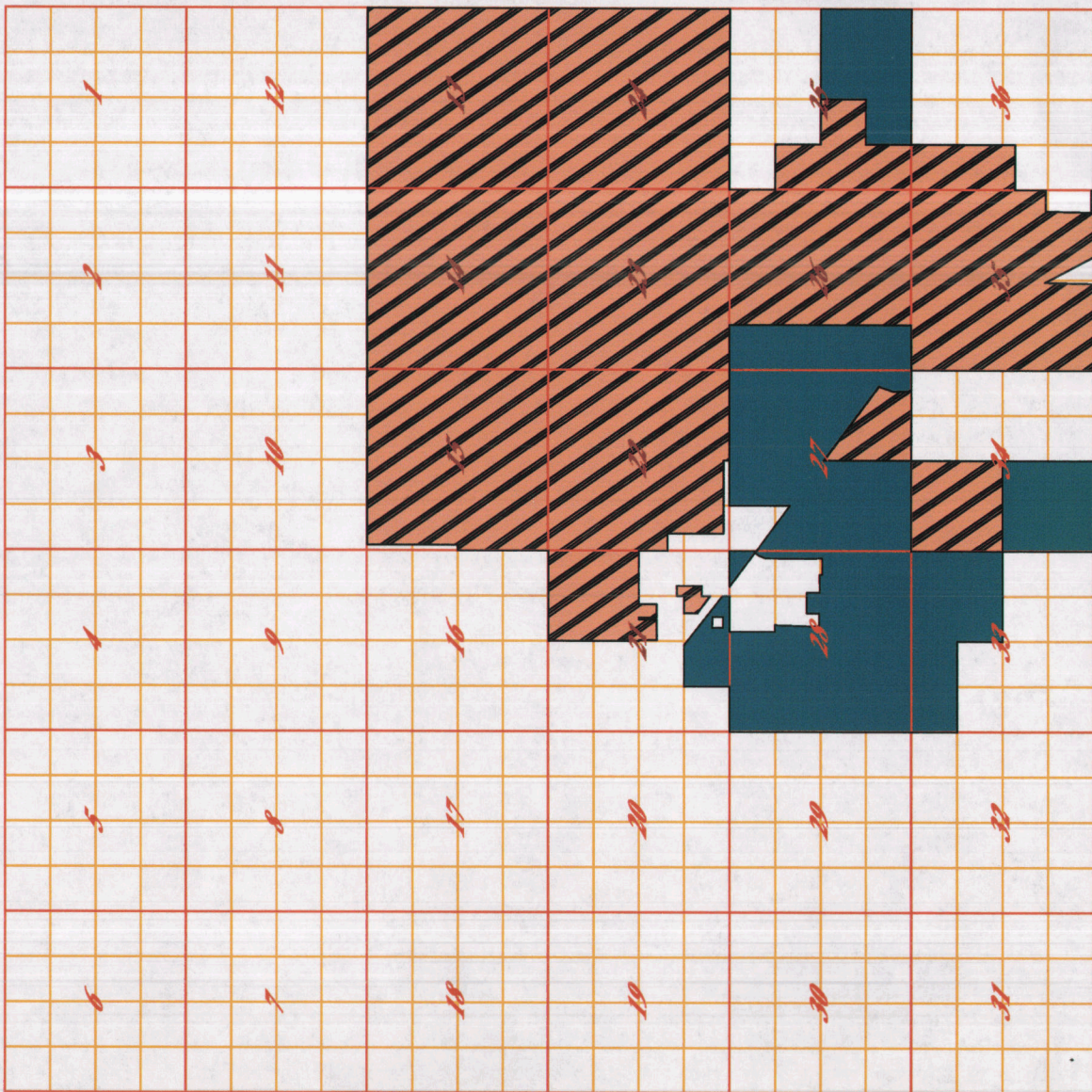
RANGE 3 East

TOWNSHIP 4 South

**W-3576 (3)**
Santa Cruz Water Company

**Sewer**
Palo Verde Utilities Company

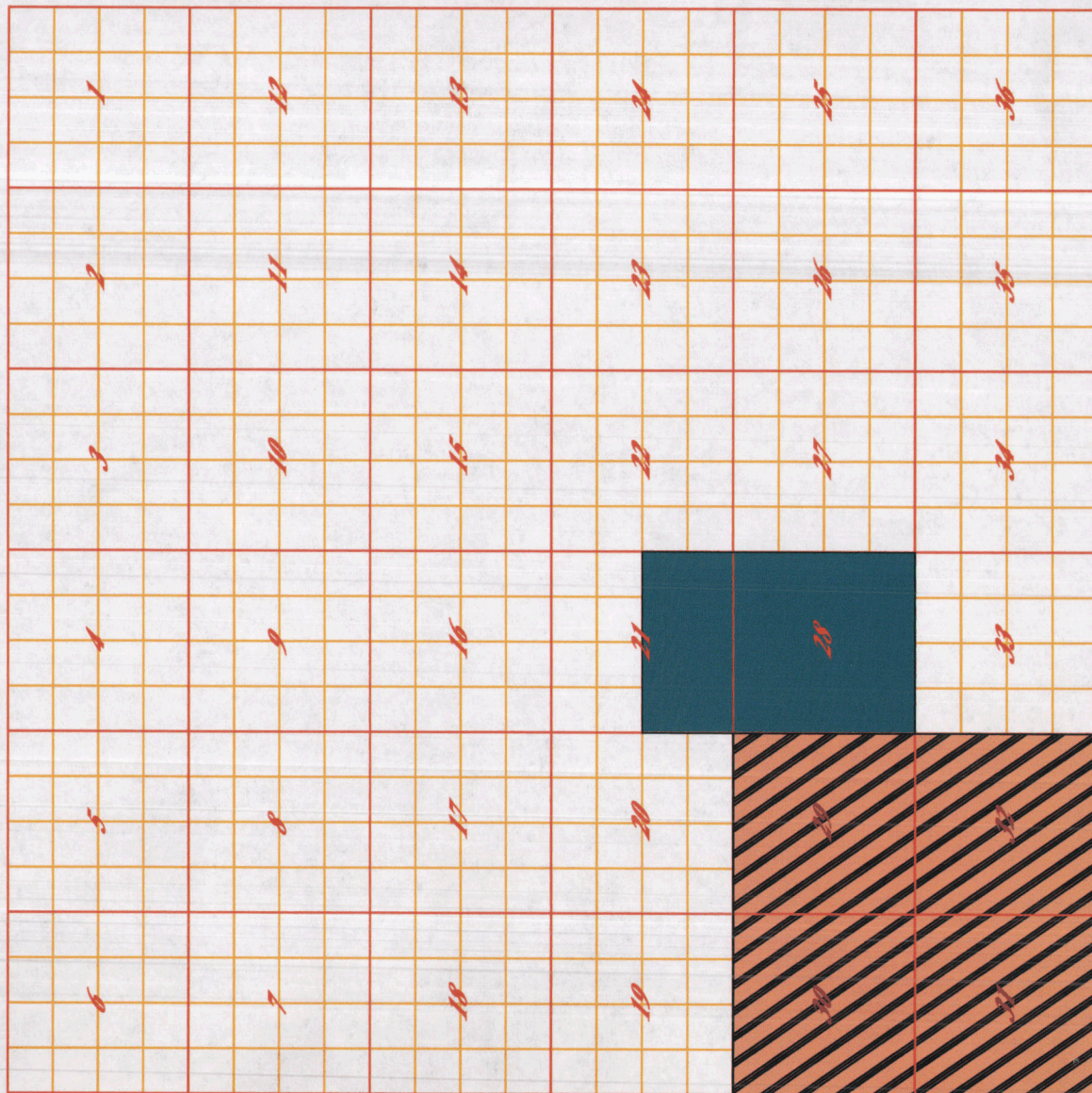
**(4)**
Santa Cruz Water Company
Docket No. W-03576A-05-0470
Palo Verde Utilities Company
Docket No. SW-03575A-05-0470
Application for Extension






COUINITY: Pinal

RANGE 4 East

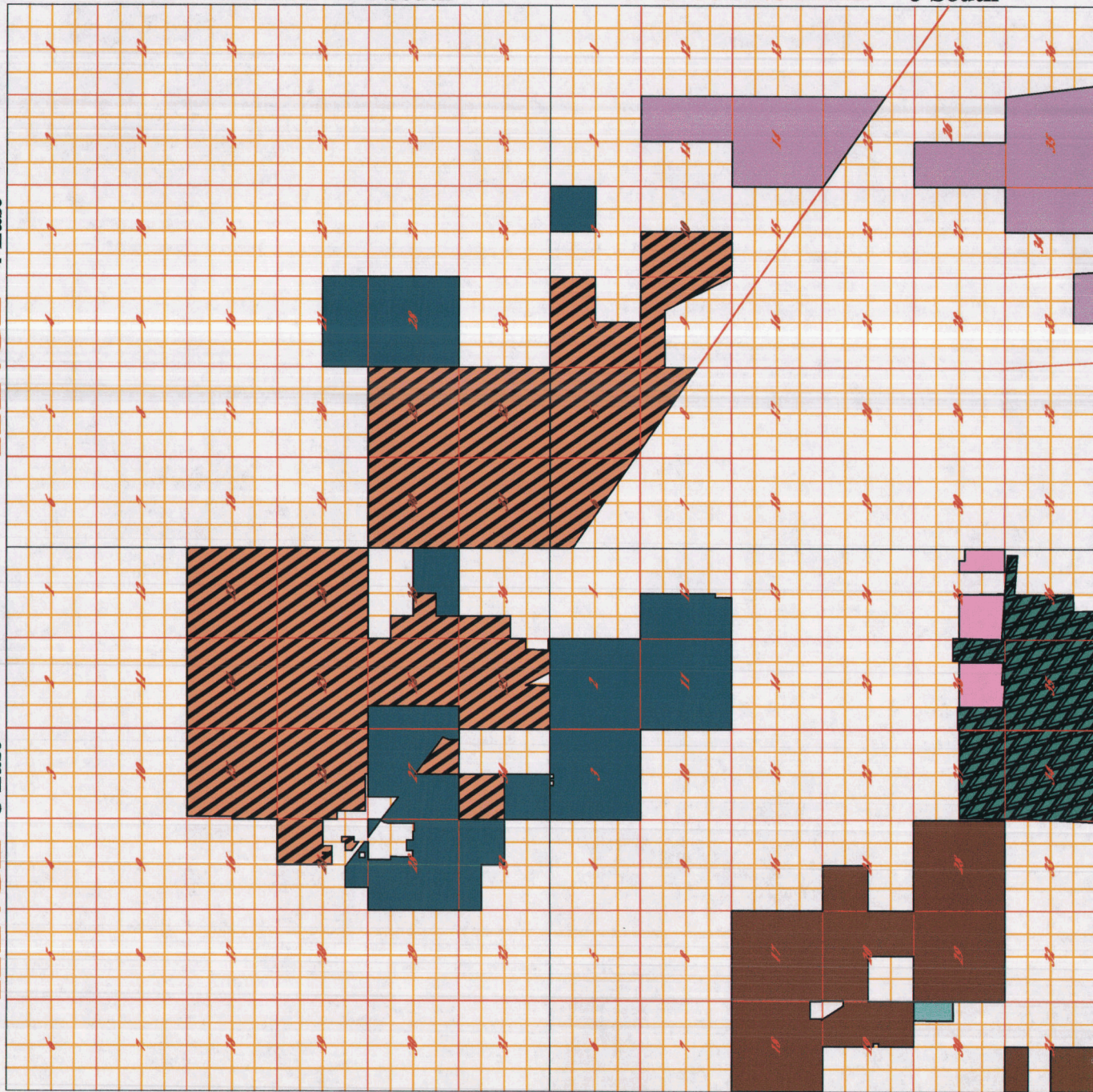
TOWNSHIP 4 South













-  W-3576 (3)
Santa Cruz Water Company
-  Sewer
SW-3575 (3)
Palo Verde Utilities Company
-  (4)
Santa Cruz Water Company
Docket No. W-03576A-05-0470
Palo Verde Utilities Company
Docket No. SW-03575A-05-0470
Application for Extension

COUNTY: Pinal

RANGE 3 East **RANGE 4 East**



-  W-3576
Santa Cruz Water Company
-  Sewer
Palo Verde Utilities Company
-  Nonjurisdictional
Copper Mountain Ranch Community Facilities District
-  W-4137 (2)
Santa Rosa Water Company
-  Sewer
Santa Rosa Utility Company
-  W-4195 (1)
The Ranches at Maricopa Homeowners Association
Adjudicated 'Not a Public Service Corporation'
-  (2)
Santa Rosa Water Company
Docket No. W-4137-05-286
Application for Extension
-  (2)
Santa Rosa Utility Company
Docket No. SW-4136-05-287
Application for Extension
-  (3)
Santa Cruz Water Company
Docket No. W-3576-05-307
Palo Verde Utilities Company
Docket No. SW-3575-05-307
Application for Extension
-  (4)
Santa Cruz Water Company
Docket No. W-03576A-05-0470
Palo Verde Utilities Company
Docket No. SW-03575A-05-0470
Application for Extension

**LEGAL DESCRIPTION FOR 387 DISTRICT
TO BE INCLUDED IN THE CC&N FOR SANTA CRUZ WATER COMPANY, L.L.C. &
PALO VERDE UTILITIES COMPANY, L.L.C.**

THE DESCRIPTION OF THE FOLLOWING LANDS ARE TO BE INCLUDED:

TOWNSHIP 4 SOUTH, RANGE 3 EAST, G&SRB&M, PINAL COUNTY, ARIZONA

THAT PORTION OF SECTION 21 DESCRIBED AS FOLLOWS: THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER LYING SOUTHERLY OF THE SOUTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD, EXCEPT THE FOLLOWING DESCRIBED PARCEL: COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 21; THENCE NORTH 89°50' WEST ALONG THE SOUTH LINE OF SAID SECTION 21 A DISTANCE OF 1930.00 FEET; THENCE NORTH 00°10' EAST A DISTANCE OF 180.87 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 00° 10' EAST A DISTANCE OF 316.00 FEET; THENCE NORTH 89°50' WEST A DISTANCE OF 316.00 FEET; THENCE SOUTH 00°10' WEST A DISTANCE OF 316.00 FEET; THENCE SOUTH 89°50' EAST A DISTANCE OF 316.00 FEET TO THE TRUE POINT OF BEGINNING.

THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 25.
THE SOUTHEAST QUARTER OF SECTION 25.

THE WEST HALF OF THE WEST HALF OF SECTION 26.

THAT PORTION OF SECTION 27 LYING NORTHERLY OF THE NORTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD AND EASTERLY OF THE WEST HALF OF THE WEST HALF OF SAID SECTION 27.

THAT PORTION OF SECTION 27 DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID SECTION 27; THENCE NORTH 89°48'40" WEST ALONG THE SOUTH LINE OF SAID SECTION 27 A DISTANCE OF 555.92 FEET; THENCE NORTH 24°41' 11" WEST A DISTANCE OF 155.02 FEET; THENCE NORTH 00°44'45" WEST A DISTANCE OF 428.29 FEET; THENCE NORTH 20°07'00" EAST A DISTANCE OF 421.17 FEET, MORE OR LESS, TO THE SOUTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD; THENCE SOUTH 53°48'48" EAST ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE A DISTANCE OF 597.88 FEET, MORE OR LESS, TO THE INTERSECTION OF SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE EAST LINE OF SAID SECTION 27; THENCE SOUTHERLY ALONG THE EAST LINE OF SAID SECTION 27 A DISTANCE OF 969.05 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

THE WESTERLY ONE-HALF OF SECTION 27 LYING SOUTHERLY OF THE SOUTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD.

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ALL OF SECTION 28 EXCEPT THE FOLLOWING: COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 28; THENCE NORTH 89°48' 14" EAST ALONG THE NORTH LINE OF SAID SECTION 28 A DISTANCE OF 280.12 FEET TO THE TRUE POINT OF BEGINNING, SAID TRUE POINT OF BEGINNING BEING DESCRIBED AS BEING THE INTERSECTION OF THE EAST LINE OF MARICOPA MEADOWS PARCEL 16 AND THE EAST-WEST CENTERLINE OF MC DAVID ROAD; THENCE SOUTH 00°09'29" EAST A DISTANCE OF 1314.36 FEET ALONG THE EAST LINE OF MARICOPA MEADOWS PARCELS 16 AND 17 TO THE SOUTHEAST CORNER OF SAID PARCEL 17; THENCE NORTH 89°48'25" EAST ALONG THE SOUTH LINE OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 28 A DISTANCE OF 192.37 FEET; THENCE SOUTH 02°00'07" WEST A DISTANCE OF 1288.07 FEET; THENCE NORTH 89 °38'01" EAST A DISTANCE OF 397.78 FEET; THENCE NORTH 00°21'59" WEST A DISTANCE OF 360.00 FEET; THENCE NORTH 89 °38'01" EAST A DISTANCE OF 599.33 FEET; THENCE SOUTH 00°09'24" EAST A DISTANCE OF 385.62 FEET; THENCE NORTH 89 °09'14" EAST A DISTANCE OF 514.33 FEET; THENCE SOUTH 00°45'29" EAST A DISTANCE OF 75.69 FEET; THENCE NORTH 89°48'29" EAST A DISTANCE OF 445.60 FEET; THENCE NORTH 79°48'31" EAST A DISTANCE OF 50.00 FEET TO A POINT ON A CURVE CONCAVE SOUTHWESTERLY, THE CENTER OF WHICH BEARS NORTH 79°48'31" EAST, HAVING A RADIUS OF 1432.39 FEET, THROUGH A CENTRAL ANGLE OF 10°27'01", AN ARC LENGTH OF 261.26 FEET; THENCE NORTH 00°15'32" EAST A DISTANCE OF 1230.37 FEET TO A POINT OF CURVATURE TO THE RIGHT, THE CENTER OF WHICH BEARS SOUTH 89°48'29" EAST, HAVING A RADIUS OF 716.20 FEET, THROUGH A CENTRAL ANGLE OF 35°23'02", AN ARC LENGTH OF 442.30 FEET; THENCE NORTH 35°38'35" EAST A DISTANCE OF 97.27 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD; THENCE NORTH 53 °49'25" WEST A DISTANCE OF 1160 FEET, MORE OR LESS, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE TO THE INTERSECTION OF SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE NORTH LINE OF SAID SECTION 28; THENCE SOUTH 89°48' 14" WEST A DISTANCE OF 1300 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

THE NORTH HALF OF THE NORTHWEST QUARTER OF SECTION 33, TOGETHER WITH THE NORTHEAST QUARTER OF SAID SECTION 33 EXCEPT ANY PORTION THEREOF WHICH MAY LIE WITHIN THE AK-CHIN INDIAN COMMUNITY;

THE SOUTHWEST QUARTER OF SECTION 34.

TOWNSHIP 5 SOUTH, RANGE 3 EAST, G&SRB&M, PINAL COUNTY, ARIZONA

ALL OF SECTION 2.

ALL OF SECTION 3; EXCEPT THE NORTH 210.00 FEET OF THE EAST 210.00 FEET OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE NORTH 220.00 FEET OF THE EAST 636.00 FEET OF THE WEST 264.00 FEET OF SAID NORTHEAST QUARTER OF THE NORTHWEST QUARTER.

ALL OF SECTION 11.

THE WEST ONE-HALF OF SECTION 12; EXCEPT THE EAST 229.58 FEET OF THE SOUTH 951.32 FEET.

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TOWNSHIP 4 SOUTH, RANGE 4 EAST, G&SRB&M, PINAL COUNTY, ARIZONA

THE SOUTH HALF OF SECTION 21.

ALL OF SECTION 28.

TOWNSHIP 5 SOUTH, RANGE 4 EAST, G&SRB&M, PINAL COUNTY, ARIZONA

THE NORTHEAST QUARTER OF SECTION 3.

END